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WATER AND WASTE DISPOSAL LOANS AND GRANTS



FARMERS HOME
ADMINISTRATION
Program Aid No. 1203

A Rural Credit Agency of the
U.S. DEPARTMENT
OF AGRICULTURE

WATER AND WASTE DISPOSAL LOANS AND GRANTS

The Farmers Home Administration is authorized to provide financial assistance for water and waste disposal facilities in rural areas and towns of up to 10,000 people.

Who may receive assistance?

Public entities such as municipalities, counties, special purpose districts; Indian tribes, and corporations not operated for profit. Priority will be given to public entities in areas smaller than 5,500 people to restore a deteriorating water supply, improve, enlarge, or modify a water system or an inadequate waste system. Preference will also be given to projects which involve the merging of small systems.

In addition, borrowers must:

1. Be unable to obtain needed funds from other sources at reasonable rates and terms.
2. Have legal capacity to borrow and repay loans, to pledge security for loans, and to operate and maintain the facilities or services.
3. Be financially sound and able to manage the system effectively.
4. Have a financially sound system based on taxes, assessments, revenues, fees, or other satisfactory sources of income to pay all facility costs including operation, maintenance, and to retire the indebtedness and maintain a reserve.
5. Be consistent with any development plans of the State, multijurisdictional area, counties, or municipalities in which the proposed project is located. All systems must comply with Federal, State, and local laws including those concerned with zoning regulations, health and sanitation standards, and the control of water pollution.

How may funds be used?

Loan and grant funds may be used to do the following:

1. Construct, repair, improve, expand, or otherwise modify rural water supply and distribution systems including water supply reservoirs, pipelines, wells, pumping plants, and water filtration and treatment facilities.

2. Acquire a water supply or a water right.

3. Construct, repair, improve, expand, or otherwise modify waste collection, treatment, or disposal systems. Facilities to be financed may include such items as sewer lines, treatment plants, stabilization ponds, storm sewer facilities, sanitary landfills, incinerators, and necessary equipment such as garbage trucks.

4. Pay necessary fees such as legal and engineering connected with development of facilities.

5. Pay other costs related to the development of the facility including the acquisition of rights-of-way and easements, and the relocation of roads and utilities.

6. Finance projects in conjunction with funds from other agencies or those provided by the applicant.

Interim commercial financing will normally be used during construction and FmHA funds will be available when the project is completed. If interim financing is not available or if the project cost less than \$50,000, multiple advances of FmHA funds may be made as construction progresses.

What are the terms?

The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility to be financed.

What is the interest rate?

The interest rate currently is 5 percent on the unpaid principal.

Where and how are applications made?

Applicants for financial assistance are made at the local county offices of the Farmers Home Administration. The county office staff will be glad to discuss services available from the Agency and explain application procedures. All applications are considered without regard to race, color, creed, sex, or national origin of the members of the groups applying for assistance, and service must be extended on the same basis.

What security is required?

All loans will be secured to adequately protect the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues may be accepted as security if they meet statutory requirements. A mortgage may also be taken on the organization's facilities when State laws permit.

Where will applicants obtain technical help?

The Farmers Home Administration will advise the applicant as to how to assemble information to determine engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

If financing is provided, the Farmers Home Administration will also make periodic inspections to monitor project construction.

Grants

Funds may be available for up to 50 percent of eligible project development costs. Such assistance may be made available for projects serving the most financially needy communities to reduce user costs for eligible grant recipients to a reasonable level. Ordinarily, a grant will be considered only when the debt service portion of the cost to the users for either water or waste service exceeds 1 percent of the median income for the area.